

Message Text

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EO 11652: NA

TAGS: ETRD CO

SUBJ: COLOMBIA'S FOREIGN TRADE POLICY

1. MIN OF ECONOMIC DEVELOPMENT RAMIREZ OCAMPO IS REPORTED IN PRESS AS HAVING OUTLINED IN BROAD TERMS GOC'S FOREIGN TRADE POLICY. AMONG BASIC GOALS HE INCLUDED 1) TO TRADE WITH ALL GEOGRAPHIC AREAS AND COUNTRIES OF THE WORLD, 2) TO CONTINUE MODIFICATION OF OLDER IMPORT SUBSTITUTION POLICY, RETAINING IT ONLY WHEN ECONOMICALLY EFFICIENT OR TO AVOID DANGEROUS DEPENDENCE ON EXTERNAL SOURCES OF BASIC MATERIALS, 3) TO AVOID NEGATIVE IMPACT OF "PROTECTIONIST" POLICIES OF COLOMBIA'S CUSTOMERS (A REFERENCE AT LEAST PARTLY TO US COUNTERVAILING DUTY LAW), AND 4) CONTINUING ACTIVITY IN THE INTERNATIONAL AREA IN DEFENSE OF PRICES OF COLOMBIA'S EXPORTS. HE LISTED SPECIFICS OF NEW EXPORT PROMOTION PROGRAMS DESIGNED TO SUBSTITUTE FOR SHARPLY REDUCED EXPORT TAX REBATE SYSTEM, THOUGH SEVERAL OF THE SPECIFICS ARE AS YET UNIMPLEMENTED PROMISES. MIN ALSO FAVORED A REALISTIC EXCHANGE RATE AS BEST FOR TRADE STABILITY.

2. COMMENT: MIN'S REMARKS AS CITED IN PRESS APPEAR TO EMB TO BE ACCURATE STATEMENT OF VERY BROAD PARAMETERS OF GOC POLICY. NEGOTIATIONS UNDERWAY TO REESTABLISH COMMERCIAL RELATIONS WITH UNCLASSIFIED

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CUBA WILL LEAVE PEOPLES REPUBLIC OF CHINA AS ONLY IMPORTANT

COUNTRY WITH WHICH SUCH RELATIONS LACKING. UNQUESTIONABLY IMPORT SUBSTITUTION IS NO LONGER THE FAVORED TRADE POLICY, BUT COLOMBIA HAS MANY HIGH TARIFFS WHICH WILL BE DEFENDED BY THOSE BENEFITING FROM THEM. ON EXPORT INCENTIVES, GOC IS SENSITIZED TO POSSIBLE REACTIONS FROM IMPORTING COUNTRIES, AND HOPEFULLY WILL AVOID AROUSING NEGATIVE REACTIONS. IT IS CLEAR THAT COLOMBIA WILL CONTINUE TRYING TO DEFEND INTERNATIONAL COFFEE PRICES; NOT SO CLEAR HOW FAR GOC WOULD BE WILLING TO GO FOR OTHER PRODUCTS SUCH AS BANANAS, COTTON OR SUGAR. FINALLY, WHILE PRESENT EXCHANGE RATE SEEMS QUITE REALISTIC AS RESULT OF CURRENT GOVERNMENT'S ACCELERATED PESO DEVALUATION SINCE IT TOOK OFFICE LAST AUGUST, EXCHANGE CONTROLS CONTINUE IN PLACE. RATE IS SET AS ELEMENT OF ECONOMIC POLICY RATHER THAN BY MARKET FORCES.

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